

**MINUTES OF THE CITY COMMISSION WORKSHOP
JANUARY 20, 2004**

The City of Leesburg Commission held a workshop Tuesday, January 20, 2004, in the Commission Chambers at City Hall. Mayor Knowles called the meeting to order at 5:12 p.m. with the following members present:

Commissioner Ben Perry
Commissioner Lewis Puckett
Mayor David Knowles

Also present were City Manager (CM) Ron Stock, City Clerk (CC) Betty Richardson, City Attorney (CA) Fred Morrison, and others.

Mayor Knowles gave the invocation followed by the Pledge of Allegiance to the Flag.

**APPROVED PREPARATION OF \$40M UTILITIES BOND ISSUE AND UP TO \$16M IN
GENERAL FUND BONDING**

CM Stock introduced Jeff Larson, City's Financial Advisor, Carlos Pereda, Vice President of Kirkpatrick Pettis, Bill Spivey, Investment Banker, and Mike Williams, Bond Counsel.

CM Stock explained an opportunity to defease the existing Series 1999 utility bonds and save approximately \$40,000 annually and \$1.2M over the life of the bonds by taking advantage of historically low market interest rates. In traditional types of financing, the benefit is to have a 2.9% margin. This refinancing will provide a 2.91% reduction making it within the traditional guidelines. The question is does the Commission want to do this financing even though the methodology may be unusual. Reserves will be used to payoff the current bonds of \$27M, then in two to three weeks issue new \$27.4M debt with the same maturity.

Commissioner Lovell arrived at 5:15 p.m.

CM Stock said in order to save money on the cost of issuance and save time, the \$13M of additional utility debt to FMPA approved by the Commission can be added for a total utility issue of approximately \$41M. This action would retire the \$6M of floating rate debt to FMPA and the \$7M balance on the Wastewater plant debt.

Commissioner Perry asked CM Stock if he recommends this course of action. CM Stock said there is enough value to make it worthwhile.

CM Stock stated the Greater Leesburg Community Redevelopment Agency (GLCRA) proposes to borrow \$5M against their revenue stream to fund projects proposed by the Partnership and the CDC. The GLCRA will be approximately \$350,000 short in revenue and would like the City to use the \$400,000 from the Lake County Commission to cover this shortfall. Considering the cost of issuance, a \$5M bond issue is too small. By combining the GLCRA needs with other funding needs of the City, such as the Library, the Canal Street reconstruction with trail project, and other projects, a \$16M Capital Improvement Revenue Bond issue would be feasible.

Commissioner Christian arrived at 5:25 p.m.

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CM Stock stated last year the Commission officially adopted the Capital Improvement Plan (CIP) and this is the direction staff follows. He said if the Commission does not want a project in the CIP, please vote it out. The Library is in the CIP, in the budget, and contracts for design have been presented. All three have been approved. He requested the Commissioners to advise staff if they do not want to build the library.

CM Stock advised the re-use water project has been added to the project list, which will come from the Canal Street WWT plant rather than the Turnpike plant as originally planned. He said Leesburg is in process of preparing the Consumptive Use Permit (CUP) required by the St. Johns River Water Management District. The CUP criteria changed in October 2003 which may add \$1M to the cost of the permit.

CM Stock reviewed the Canal Street reconstruction project, which will run from Hwy 441 to Dixie Avenue. It makes sense to take care of the reconstruction of Canal Street at the same time as putting in re-use water pipes. The design includes two medians and turning access for large trucks to turn onto Cleveland Street to go to Romac Lumber and the Daily Commercial. Canal Street will be realigned in front of the Fire Station. St. John River Water Management District will require the City to take care of drainage problems. Additional projects for consideration are the Public Works building, Venetian Cove Marina, and Magnolia Street reconstruction.

Commissioner Christian said everything on the project list is centered around the downtown. He wants to make sure when the Canal Street reconstruction project is planned that a gateway into Pine Street is included. He requested to see the design. He wants to make sure all areas look the same. Deputy City Manager (DCM) Robert Johnson advised the only project approved by the GLCRA is purchase of the lumberyard on Main Street. DCM Johnson advised the plan will be presented at the first meeting in February.

Commissioner Perry stated this Commission needs to set the priority list for upcoming projects since the Commission has not come to a consensus as to what is important. He said the Library has been approved and he will not bring it up again, but the other projects need to be prioritized. The Commission needs to decide the project priorities and then decide on the funding.

Jeff Larson, with Kirkpatrick Pettis, the City's Financial Advisor, advised it is cost effective to do the \$40M as one issue. He said if we follow history, rates will go up.

Commissioner Perry moved to instruct staff to proceed with the \$40M utility refunding as outlined in the presentation (copy attached). Commissioner Puckett seconded the motion and it carried unanimously.

Mr. Larson stated it will be to the City's advantage to fit the utility and General Fund project bonds together to save start up cost. The CRA cannot bond projects alone. The City will have to "tighten its belt" for a minimum of five years if not longer, but by completing projects in the CRA districts, revenue in those districts should increase.

Commissioner Perry expressed concern about borrowing money for thirty years with only twenty-one years left on the CRA. DCM Johnson advised of a new law which gives the ability to extend the life of the CRA.

Commissioners Perry and Puckett said they would like to re-prioritize the projects and then decide how much funding the City needs to bond.

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Mr. Larson asked if the projects are important enough to bond now rather than wait until funds to complete the projects are in hand. He said he would be nervous about waiting on the utility issue because it is rate driven. The rates are not locked in until the bonds are priced which is planned for late May 2004.

Deputy Finance Director (DFD) Diane Reichard advised the \$500,000 for design of the Library is designated to be paid from the bond issue proceeds. Mr. Larson stated Leesburg is a "debt adverse" city and he is trying to give the City funds and also give the ability in a few years to be able to do other projects. He has planned financing projects up to the City's ability to cover \$1M in debt each year from the 1 cent local option sales tax, the ½ cent sales tax, and utility transfers as needed.

Commissioner Puckett moved to instruct staff to proceed with assumption of a \$16M bond issue for the General Fund with projects funded by the bond issue to be adjusted as necessary. Commissioner Lovell seconded the motion. The roll call vote was:

Commissioner Lovell	Yea
Commissioner Perry	Nay*
Commissioner Puckett	Yea
Commissioner Christian	Yea
Mayor Knowles	Yea

Four yeas, one nay, the Commission approved the motion.

*Commissioner Perry explained his reason for voting no. He said he cannot envision borrowing \$16M and then deciding the projects on which to spend the funds.

SET VISIONING MEETING DATE

The Commission set February 16, 2004, at 9:00 a.m. as the Visioning meeting. Commissioners are to call CC Richardson Wednesday, January 21, 2004, to confirm their attendance at the Visioning meeting.

CM Stock requested the Commission give their prioritized items for the next two to five years at the vision meeting.

Mayor Knowles called a recess at 6:50 p.m. The meeting resumed at 7:05 p.m. Commissioner Perry left the meeting.

APPROVED SENDING LETTER REQUESTING PAYMENT OF PUBLIC SERVICE TAX NOT PAID BY 501C3 ORGANIZATIONS

Finance Director (FD) Bill Pfeilsticker advised in October 2003, Financial Accounting Administrator Bob Brown realized some organizations exempt from sales tax had not been paying the Public Service Tax. When the tax was added to the utility bills those organizations identified as 501(c)3 entities, which are exempt from sales tax, also were marked as exempt from the Public Service Tax. State law identifies organizations that are exempt from the Public Service Tax.

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FD Pfeilsticker requested Commission direction regarding how to collect the funds totaling \$688,791.11 from the twenty-seven organizations involved. (list attached)

CM Stock stated staff felt it prudent to make the Commission aware of the situation prior to advising the affected companies. Staff corrected the problem when this error was discovered in October and started charging the companies the correct tax. The City Attorney's office provided responses to questions posed by staff regarding possible ways to assist the companies (copy attached). The City is not permitted to grant exceptions and legally, the City must make an effort to collect the funds.

CM Stock advised the two entities with the largest amounts due are Leesburg Regional Medical Center (LRMC) - \$542,712.60 and Lifestream Behavioral Center - \$72,610.67. He said he personally called them since the amounts are so large, but they are the only entities who know of the situation.

CM Stock said since the error was made by the City, staff could not collect interest or penalties on the unpaid taxes. He suggested a possible payment plan with no interest, no penalties, and no payment for the first three years.

CM Stock also suggested the City giving grants to the smaller entities that would not have funds to pay the tax. He said it may be legal to make a donation to those entities, but would not be "Kosher."

CM Stock advised LRMC has suggested a possible solution for the amount they owe. LRMC would like to be a participant in improving the Bourley property and suggested they pay the City the tax and the City, in turn, make a contribution to the Bourley property for improvements.

Commissioner Lovell moved for staff to send a letter to each entity advising them of the Public Service Tax bill and the amount due, to collect those that pay, and to set up negotiations with the balance of the entities for payment of the tax. Commissioner Christian seconded the motion and it carried unanimously.

Commissioner Puckett moved to adjourn and Commissioner Christian seconded the motion. The meeting adjourned at 7:21 p.m.

Mayor

ATTEST:

City Clerk

Betty M. Richardson

Recorder

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